453 pleted only a little more than one year after the the Central People's Government was established in Peking.

• 426 The pawnshop, a minor monetary organization had been a useful credit mechanism serving needy people. It appeared to be more useful in North China than in the south, because the poverty of the people was more pronounced in the north. The poor were more than willing to obtain funds from the pawnshops by paying high interest, at the rate of 3-4 per cent monthly. The working capital of the pawnshops was mainly supplied by the native banks; in small towns even the banks themselves operated pawnshops. The Communists not only prevented the native banks from extending credit to the pawnshops, but also required the latter to increase their capital; as a result, the pawnshops were forced out of business even before the native banks.

652 Development of the Communist monetary stru-
453 cture began with the birth of the People's Bank of China first established in Shihchiachuang, Hopei Province, on December 1, 1948. After the Communists assumed governmental function on October 1, 1949, the new banking system was set in motion. The People's Bank of China is now the supreme monetary agency, entrusted with the issuance of banknotes and having other undefined powers in monetary matters, including the control of private monetary organizations. Thus the Bank

2: Gamble S-5 (1926-1933)1954 AF12 North China AF12

owned their homes and paid no rent. The figures used, therefore, were the estimated rent value of the house occupied by the family. To make our figures comparable with those in other budget studies, it has been necessary to include a rent charge in the family expenses and balance it with a like amount on the income side. It averaged 5.1 per cent of the total estimated value of the houses, $12,300. The estimated value of the individual houses ranged from $120 to $920, but only four were worth more than $500. The average value was $360. The values used for the different kinds of construction were $40 per chien for a house with earthen walls and no porch, $70 per chien if the house had a porch. If the walls were brick the value was $60 per chien without and $90 with a porch.

The estimated rents of the four types of houses were 15, 20, 30, and 35 cents per chien per month, or from $1.80 to $4.20 per chien per year. The rent value of the brick walled, no porch house was higher than that of the earthen walled house with porch even though the value of the latter house was estimated to be $10 more than that of the brick walled house. The amount of housing and the relation of the rent item to the family budget is given in connection with the rent expenditure.

Ten families reported spending more money than they received. The totals for the different income groups have been averaged for the group. Two of the lowest income families had deficits of some $76. All of the families with incomes of less than $170 per year reported borrowing from $20 to $50. Two families in the $300–$400 group reported borrowing to meet deficits. Amounts borrowed were not counted as income except for the amount necessary to cover the reported deficit. Lacking inventories of the families' food supply at the beginning and end of our study, we cannot determine how much of the deficits was covered from that source and how much from other sources not noted in the family accounts.

How the family expenditure was divided by amount and per cent among the six main expense headings of food, clothing, fuel, rent, miscellaneous, and surplus is shown in Figure 16 and Table 38. It will be noted that the amounts for clothing, rent, fuel, and miscellaneous are all small, about $1.00 a month for the low income families, increasing to about $2.00 a month for the highest income group. The expenditure for food increased from some $9.00 a month for families in the $100–$200 group to $20 a month for those in the $400–$500 group. The pro-

2: Gamble S-5 (1926-1933) 1954 AP12 North China AP12

511 expenditure for chopsticks was 14 cents per family. Only five other items averaged as much as 10 cents per family per year, and only one, bowls, averaged as much as 20 cents.

Soap and hair cuts were the only two health items reported by all the families. The average annual expenditure was 26 cents for soap and 17 cents for hair cuts. The two families that bought toothbrushes and toothpaste spent a total of 75 cents for those items. Only four families spent any money for shaves and three for baths. The average expenditure for medicine was $1.22.

Educational items were reported by only 19 families. Their total expenditure was $18.32, an average of 96 cents. The expenditure for books was only 3.5 cents per person. Only three families said they paid school tuition. Their total expenditure was $4.12, an average of $1.37 per family.

The 70 cents spent for religion bought an average of three packages of paper money of 88 sheets each, 1.2 packages of yellow paper of 96 sheets each, and 2.7 bundles of incense. The price of the incense was five cents per bundle, of the paper 10 cents per package.

701 511 426 An assessment was levied on all families for the support of the army. It totaled $84.74. The amount per family varied from 60 cents to $4.80. It averaged some 8.0 cents a mu for all the land farmed by the 34 families, but it was 8.7 cents per mu for the land owned and 8.25 cents per mu on the land owned and held under mortgage. It seems clear that the owner of rented land was required to pay the assessment. Other studies generally indicated that it was the mortgagee who paid on the mortgaged land. The amounts reported by the individual families varied from 8.0 to 12.5 cents per mu on the land owned and from 4.1 to 12.5 cents per mu on the land owned and held under mortgage.

511 621 The village assessment for home guards, schools, etc. totaled $68.89. It averaged 7.1 cents per mu on the land owned and 6.7 cents per mu on the owned and mortgaged land. On the latter basis, the amounts for the individual families varied from 2.5 to 8.4 cents per mu, but for 21 of the families the amount was between 7.0 and 7.4 cents inclusive. As other studies have generally indicated that the village assessments were levied according to the number of mu a family owned or held under mortgage, it is not clear why there was such a difference in the amounts paid per mu unless the amount of the assessment was related to the quality of the land. Different rates for the three villages in which our

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651 424 687

50 per cent. If there was collusion that involved the land supervisor of the village he was to be assessed twice the amount of the tax due.

The tax rates were 12.6 per cent on deeds and 5.3 per cent on mortgages. The basic rates were 6 per cent and 3 per cent and were collected for the province by the hsien. It kept 2 per cent of the total for its collection service. A surtax of 10 per cent of the basic tax was designated for education. The remaining 6 and 2 per cent represented the commission, ya yung, formerly collected by the middlemen who arranged the deals, but later taken over by the government agencies.

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The basic rate and the 10 per cent surtax were paid by the seller or mortgagor. The ya yung charges were paid 60 per cent by the purchaser or mortgagee, 40 per cent by the seller or mortgagor.

The proceeds of the extra 6 per cent, ya yung, on deeds was divided 1.5 per cent for the province, 2.0 per cent for the hsien, and 2.5 per cent for the village where the land was located. The extra 2 per cent on mortgages was divided 0.5 per cent to the province, 0.8 per cent to the hsien, and 0.7 per cent to the village. The hsien and village shares were earmarked for education. The village share was reported as one of the sources of income for the village school. (See Chapter IX.)

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In addition to the taxes there was a charge of 50 cents a sheet for the official deed and mortgage forms and 10 cents each for recording.

The number of deeds recorded was 4,826 in 1927, 5,660 in 1929. The three year average was 5,550. The number of mortgages was 903 in 1927, 1,110 in 1929, the three year average 1,049. The total reported value of the deeded land was $100,000 in 1927, $208,000 in 1929, the three year average $150,000. The total amount of the recorded mortgages was $24,600 in 1927, $54,500 in 1929, the three year average $37,870. The average land value per deed was $21 in 1927, $37 in 1929. The amount of the average mortgage was $22 in 1927 and $49 in 1929.

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The land transfer tax on deeds and mortgages, plus the charge for the official forms and for recording, totaled $17,317 in 1927 and $33,091 in 1929. The average for the three years was $24,290. The division between deeds and mortgages was almost exactly the same for all three years, 89.3 per cent for deeds, 10.7 per cent for mortgages.

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Tooth (sales) taxes, ya shui for the province and ya chüan for the hsien, were collected on most sales. Some said that the term "tooth taxes" was derived from the fact that the taxes were first levied on the sale of farm animals, transactions that regularly included the examina-

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452 credit field. The village people who needed financial help had to depend, for the most part, on private money lenders.

To sample the extent of borrowing in Ting Hsien, the amount of credit needed, the interest rates, the terms of the loans, the security for the loans, and use of the money borrowed, we made a study in 1932 of the borrowing during the three years 1929, 1930, and 1931 of the 526 families living in five villages. They were relatively small villages; the largest had 145 families, the smallest 41. As the figures for the individual villages did not show any significant differences the five villages have been treated as a single group of families.

• 426 The number and the proportion of families borrowing, the number of times they borrowed, the amounts they borrowed, and the increase in borrowing in two years are shown by the following figures:

	1929		*1930*		*1931*	
	Number	*Amount*	*Number*	*Amount*	*Number*	*Amount*
Families borrowing	171	$21,026	230	$34,401	305	$48,944
Per cent borrowing	32.5		43.7		58.0	
Average amount		123		150		160
Per cent under $150	74.3		73.1		69.2	
Per cent over $250	13.5		16.1		18.0	
Number of loans	335		466		726	
Average amount		63		74		67

The large proportion of families borrowing in 1931, 58 per cent, the 78 per cent increase in two years in the number of families borrowing, the 116 per cent increase in the number of loans made, the 30 per cent increase in the average family indebtedness, and the 133 per cent increase in the total amount borrowed were evidently the result of falling prices and of the extra taxes and assessments that accompanied the disturbed political conditions that culminated in the fighting around Ting Hsien in 1931. In the two years from 1929 to 1931 the wholesale prices of farm crops in North China declined 10.3 per cent, wheat 14.5 per cent, millet 16.5 per cent, and kaoliang 23.5 per cent.[2]

In 1929 just over one-half, and in 1931 two-thirds, of the borrowing families found it necessary to borrow more than once during the year. In 1929 two families borrowed six times and one borrowed seven

2. Nankai Institute of Economics. *Nankai Index Numbers* (Nankai University, Tientsin, 1934).

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times. In 1931 three families borrowed nine different times. In 1929 three families had more than five loans. In 1930 the number was seven. In 1931 it was 16. The average number of loans per family borrowing was 2.0 in 1929 and 2.4 in 1931. Loans that were not paid before Chinese New Year were refunded and so were counted in the next year's totals.

The individual loans varied in amount from $1.00 to $5,000. The borrowers must have figured their needs very closely, for in 1931 there were 24 different amounts in the $1.00 to $30 range, 38 different amounts under $50, and 35 in the $50 and over range.

Approximately one-third of the individual loans were for $25 or less, a little more than a quarter were for amounts of from $26 to $50, and another quarter from $51 to $100. Those for more than $100 were some 12.5 per cent of the total. Only a little more than one per cent of the loans were for amounts in excess of $300.

The total amounts borrowed by the individual families varied from $1.00 to $5,000, but for more than half of the families the amount was less than $100. The following figures show the proportion of the borrowing families whose total loans were less or more than certain given amounts.

	1929 *Per Cent*	*1930* *Per Cent*	*1931* *Per Cent*
Under $ 50	35	2[illegible]	29
Under 100	62	53	54
Under 150	74	73	69
Under 250	87	84	82
Over 500	1.2	2.6	3.9

We cannot relate the amounts of the loans to the income or the property of these families but we know that $100 represented approximately one-third of a year's income for a group of farm families with from 21 to 30 mu of land, approximately the average land holding for Ting Hsien. (See Chapter X.) The repayment of such an amount would be a heavy burden on the family budget, especially when coupled with a high interest charge.

The term of practically all of the loans was for one year or less. In 1931 less than one per cent were reported as being made for an indefinite time. According to the Chinese custom outstanding obligations must be settled before New Year's, so the ordinary short-term loan would not be for more than one year. As cash was available from the

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426 fall harvest by the 10th month many of the loans were arranged to come due at that time. When crops were poor many of these 10-month loans, undoubtedly, were carried over to the end of the year and then refunded, with any unpaid interest added to the amount of the new loan. In our study, from 27 to 20 per cent of the loans were for 12 months, while 54 or 55 per cent were made for 10 months. In 1929 and 1930 only some seven per cent of the loans were for six months or less. In 1931 the figure was 11.3 per cent, both because of the increased number of families who had to borrow more than once during the year and because the fighting with its attendant taxes and assessments came during the seventh month.

The figures for the amounts borrowed were almost the same. From 26 to 18 per cent was borrowed for the full year. Ten months was the term for from 57 to 49 per cent. Evidently some three-quarters of the borrowing was regularly done around New Year's time. Unpaid loans must be refunded then. Purchasers of land, animals, and other capital goods often borrowed in order to take advantage of the lower prices regularly current at New Year's. If the loans for an indefinite term are counted as being borrowed for one year the average time the money was on loan was 9.85 months.

It seems probable that in an average year less than 7 per cent of the money was borrowed during the last half of the year, with the time of the loan six months or less. In 1929 and 1930 the figure was 6.1 and 4.7 per cent. In 1931 it was 8.4 per cent, largely because of the increase in the number of families who borrowed more than once during the year.

Interest on the loans varied from nothing to 3 per cent per month. In 1931 only four loans had a rate of less than one per cent per month. The $5,000 loan paid only 0.3 per cent per month. Just over one-third of the loans carried a rate of 2 per cent per month. Just under 25 per cent paid more than 2 per cent. From 2.5 to 3.3 per cent paid 3 per cent per month. While we found no such loans in our study, we were told that on very poor risk loans the interest rate was sometimes as much as 5 or even 10 per cent per month.

The interest rate was figured closely, by tenths of a per cent per month. Twenty-two different rates were reported. Nine-tenths, 1.1 and 2.9 were the only tenths that were missing from 0.8 to 3.0 per cent. The rate was 2.0 per cent per month for 22 per cent of the money bor-

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rowed. It was over 2.0 per cent per month for some 11 per cent of the money. In 1931 it was 3.0 per cent per month for only $364, 0.75 per cent of the total amount borrowed that year. The 3 per cent loans evidently were made under pressure of extreme need for small amounts of cash. The 23 loans made at that rate averaged only $15.80.

The average interest rate in 1929 was 1.82 per cent per month, 21.8 per cent per year. In 1931 it was 1.75 per cent, 21.0 per cent per year. The 1931 average was the lower because of the $5,000 loan made at 0.8 per cent per month.

We were interested to find that for some loans the interest was set in terms of millet rather than money, so many tou of millet to be paid as interest on a given loan. In 1929 there were 12 such loans for a total of $1,360. In 1931 there were 20 loans for $1,980. Changes in the price of millet reduced the rate in 1930 but increased it in 1931. The annual interest on one loan outstanding through the three years was 19.9 per cent in 1929, 19.2 per cent in 1930, and 20.4 per cent in 1931. The other interest rates changed in the same ratio. The principal of the millet interest loans apparently was fixed in dollars rather than in grain. In times of rapid inflation and unstable currency, loans, both principal and interest, are often made in terms of grain rather than money.

The total annual interest charge for the borrowing families amounted to some $8,315, an average of $27.15 per borrowing family per year. This may not seem like a large amount but it becomes large when compared with the average family income.

Table 82 shows the number of loans and the amounts borrowed for different purposes. The 228 per cent increase from 1929 to 1931 in the amount borrowed to refund old debts is particularly outstanding. The large increase in both the amount and the proportion of borrowing necessary to refund matured loans clearly indicates the financial difficulties of 1930 and 1931. The 100 per cent increase in the amount borrowed for farm capital seems to indicate that the lower prices in 1930 and 1931 encouraged some families to borrow and invest. The three items of debt refunding, farm capital, and business capital included from 75 to 78 per cent of the loans and from 77 to 83 per cent of the amount borrowed.

While there was a 250 per cent increase in the number of loans for weddings and funerals, there was a 40 per cent decrease, from $101 to $61, in the average amount borrowed. The difficult times that made it

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426 necessary for more families to borrow for these occasions may have reduced somewhat the amounts spent.

We were interested to have four loans listed as providing funds for the smuggling of narcotics. Our investigators must have had the confidence of the families to secure that information. The fact that they were able to get it makes us feel more sure of the accuracy of the other information secured by our credit survey.

The three loans for village expenses were made by village vice-heads to secure money needed for village expenses. The amount probably was repaid after the next village assessment. The loans for education probably were for the expense of children attending school outside of Ting Hsien, possibly higher middle school or college. Loans for daily living were evidently small amounts borrowed to tide over emergencies. The average loan was only some $29.

Loans ordinarily were evidenced by notes, the form of which depended upon the security offered. Land, buildings, or land and buildings were pledged for about one-quarter of the loans. One family pledged its house; three their houses and courtyards. The loan value of property was about 40 per cent of its current market value. About three-quarters of the loans were secured only by the borrower's personal note. Many of these borrowers, of course, owned land and their credit was such that they did not have to pledge a definite piece of land for their loans. The following figures show the division between secured and unsecured loans.

	1929		*1930*		*1931*	
Secured	89	$ 8,668	115	$11,751	159	$15,441
Unsecured	246	12,358	351	22,650	567	33,503
	335	$21,026	466	$34,401	726	$48,944
Per cent secured	26.6	41.2	24.7	34.2	21.6	31.6

One form of note generally used for a loan without security was:

———, being in need of money, borrows from ——— of ——— village with ———, a middle-man, as witness, the sum of ——— dollars principal and interest. This amount is to be repaid on [date]. Oral agreements cannot be depended upon, therefore this written contract is signed.

Middle-man

Borrower

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Or the interest might be fixed at a given rate per month. In that case the interest usually was made payable when the note matured, as in an agricultural community cash is not ordinarily available until harvest time. In a few instances, however, the interest was made payable monthly.

When property was pledged as security for a loan the note often read:

> _____ being in need of money pledges the following piece of land [description giving location, size, boundaries, character] by the agreement of the two parties and the middle-man to _____ of _____ village for the sum of $_____ with interest at the rate of ____ per cent a month. On [date] the principal and interest will be paid. Oral agreements cannot be depended upon, therefore this written contract is signed.
>
> _____ _____
> Middle-man Borrower

If a borrower had no land to pledge and had so few assets that the lenders were not willing to give him a loan on his unsecured note, he could sometimes persuade the middle-man to act as his guarantor and sign the note in that capacity rather than simply as a witness.

If a creditor found himself in difficulty over the payment of his notes the matter was generally arranged between the borrower and creditor with the help of the middle-man who had negotiated the original loan. Even if a settlement had to be made, because the debtor's assets would not provide the cash needed to cover his indebtedness, the matter would usually be arranged by the creditors without recourse to the hsien court. It was generally stated that the court was used to enforce the collection of a loan only where the borrower had pledged his land as security for more than one loan. In such case the debtor's property would be sold and the proceeds either pro-rated among the creditors or in some cases priority would be given to the first creditor. The debtor would be liable to punishment for misrepresentation.

In order to avoid this complication lenders sometimes insisted that the deeds of the pledged property be deposited with them. Holding the deeds would assure the lender that in case of a default, the proceeds of any sale would be applied to the repayment of his loan.

When loans were wanted for more than a year and when the borrower wanted to avoid the necessity of securing the money needed to pay the

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426 interest charge, farm land was often mortgaged to secure the loan. In that case the mortgagee took over the land and farmed it during the term of the mortgage. The rent value of the land replaced the usual interest charge. The amount of the loan given on mortgaged property was usually less than 50 per cent of the value of the land. As the rent value of farm land averaged some 6 or 7 per cent of its value,[3] mortgagors were paying more than one per cent per month on their loans.

The mortgage contract, generally a very simply worded document, ordinarily provided for a minimum time during which the property could not be redeemed. In a group of 46 mortgagor families we found one mortgage for five years, the rest for three years. The 46 mortgages covered 269 mu of land. We were told that irrigated land was usually mortgaged for five years, unirrigated land for three years.

It apparently was not obligatory for the mortgagor to redeem his property at any particular time. There was a term during which he could not redeem it, but if he did not have the money to pay the loan, he could let the mortgages run on more or less indefinitely. The land, of course, would remain in the possession and use of the mortgagee. The right to redeem the land could be passed on to the mortgagor's heirs.

The regulations of the hsien government called for the payment of a tax of 5.3 per cent on all mortgages, but from the field reports it was apparent that a great many mortgages were held without being recorded in the yamen, and so escaped the tax.

A government study of credit made in December, 1933, found that in Hopei province the average annual interest on cash loans was 29 per cent. This was somewhat higher than our figures for Ting Hsien, but it undoubtedly was affected by the fact that the government figures covered 109 hsien, many of which would not be as well-to-do as Ting Hsien. Furthermore the demand for credit very evidently increased from 1931 to 1933 because the wholesale prices of farm crops in North China, which had declined 10.3 per cent from 1929 to 1931, dropped 23.5 per cent[4] from 1931 to 1933. Many farms would be operated at a loss and more than the usual proportion of loans would have to be refunded. It was estimated that the value of farm land in Hopei went down some 30 per cent from 1931 to 1933. The government study found

3. See Chapter X.

4. Nankai Institute of Economics, *op. cit.*

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the average annual interest rate in Shansi to be 46 per cent and in Shensi 51 per cent.[5] 426

Besides the 305 families who were borrowers, our credit survey found 53 families, just over 10 per cent of 526 families in the five villages, who were lending money. These families reported making some 800 loans in 1929 and some 900 loans in 1931. The number cannot be exact as one family reported making "about 500 loans". Other families reported making up to 50 loans, but for over one-half of the lending families the number was five or less. Approximately one-third of the families loaned less than $100 each. Over one-half loaned less than $250 each. In 1930 and 1931 only nine families loaned more than $500 each. Six of these loaned more than $1,000 each, but only one loaned more than $3,500. That family, however, reported that it had made loans totaling $37,000 in 1929, $38,000 in 1930, and $39,000 in 1931. This one family loaned 75 per cent more than the total borrowed by all the families in the five villages in 1929, and some $3,500 more than the total for 1930.

We were interested to see that a family able to lend money in such amounts had kept its headquarters in the village in spite of the possible drawbacks of life in the country. While we found, in our five sample villages, one family that could lend $39,000, it hardly seems probable that that was typical of the rest of the hsien. It does indicate, however, that families living in small villages could amass considerable fortunes.

The total amount loaned by all the lending families was approximately $51,000 in 1929, $58,000 in 1930, and $59,000 in 1931. The amount loaned by the families in the five villages increased 16 per cent from 1929 to 1931, but the amount borrowed increased 133 per cent.

The lending families undoubtedly spread their loans over many villages, other than the five included in our study. The number of loans they made in 1929 was nearly two and a half times the number of loans given all the borrowing families in the five villages. Even in 1931, with its big increase in borrowing, there was a surplus of nearly 200 loans and $10,000. There was, of course, nothing except geography to indicate that these lending families monopolized the lending in the five villages.

If the amounts borrowed by the families in the five villages studied

5. Ministry of Industries, Committee for the Study of Silver Values and Commodity Prices, *Silver and Prices in China* (Commercial Press, Ltd., Shanghai, 1935).

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426 were typical of the rest of the hsien, the credit needs of Ting Hsien, omitting the city, totaled some $2,750,000 in 1929 and $6,250,000 in 1931.

Mutual Savings Societies

When, in 1917, Mr. Chang found himself in need of money to meet some special business expenses he went to thirty of his friends and relatives, told them of his need for funds, and invited them to join a mutual savings society. Such societies were very numerous in North China. They were popular because the members provided the capital sums that they used in turn and so avoided the expensive services of the money lender.

The thirty members of Mr. Chang's society were asked to meet at his house on the 18th of the seventh month. As they were coming at his request and were going to help him with his need for funds, Mr. Chang provided a feast for his friends. A feast was served at all subsequent meetings of the society, but after the first meeting each member paid his share of the expense. The cost in 1927 was $3.20 per table for eight, or 40 cents per person.

After the feast the members discussed the organization of the society, the rules and regulations. First of all it was decided that the society would meet every four months and that it would continue for ten years, the time necessary to have the number of meetings equal the number of members. As Mr. Chang needed 120,000 cash, it was decided that the society should be a 4,000 cash society and that each member should contribute 4,000 cash each time the society met. Mr. Chang, as the organizer of the society, was to receive the amount collected at the first meeting. The sums collected at subsequent meetings were to go to the other members of the society in turn.

The members might have decided by lot who should have the fund collected at each meeting, but instead they arranged that the members who had not received money from the society might bid for the privilege of receiving the amount to be collected at the next or, in some instances, at the current meeting. Each member was assigned a number. It was written on one side of a piece of paper; on the other side he wrote an amount that he would be willing to receive from the other bidding members. The lowest bidder was given the fund at each meeting. The total money he received was determined by the amount of his bid, the number of other bidders who would each contribute that

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TABLE 79. LOANS OF 526 FAMILIES: AMOUNTS BORROWED, 1931

Amount	Total	Per Cent	Separate Loans	Per Cent
Under $25	41	13.4	249	34.2
25–49	47	15.4	142	19.5
50–99	77	25.3	164	22.6
100–149	46	15.1	108	14.9
150–199	24	7.9	21	2.9
200–249	15	4.9	20	2.8
250–299	12	3.9	6	0.8
300–349	9	3.0	7	1.0
350–399	5	1.6	–	–
400–449	12	3.9	5	0.7
450–499	4	1.3	–	–
500 and over	13	4.3	4	0.6
	305	100.0	726	100.0

TABLE 80. LOANS OF 526 FAMILIES: TERMS OF LOANS, 1931

	Loans	Per Cent	Amount	Per Cent
Under six months	45	6.2	$ 2,034	4.2
Six months	37	5.1	2,066	4.2
Seven months	48	6.6	2,938	6.0
Eight months	35	4.9	3,015	6.1
Nine months	9	1.2	523	1.1
Ten months	399	55.0	24,178	4[illegible]
Eleven months	1	0.1	25	–
One year	146	20.1	8,975	18.4
Indefinite	6	0.8	5,190	10.6
	726	100.0	$48,944	100.0

TABLE 81. LOANS OF 526 FAMILIES: MONTHLY INTEREST RATES, 1929–1931

	Number of Loans			Average	Amount of Loans			Average
Per Cent	1929	1930	1931	Per Cent	1929	1930	1931	Per Cent
1.0 and under	2	4	5	0.7	$ 420	$ 5,480	$ 5,485	10.9
1.1–1.5	42	51	69	10.6	4,088	5,246	6,277	14.9
1.6–2.0	218	307	479	65.8	14,403	20,521	31,915	64.1
2.1–2.5	59	85	136	18.3	1,910	2,903	4,487	8.9
2.6–3.0	14	19	37	4.6	205	251	780	1.2
	335	466	726	100.0	$21,026	$34,401	$48,944	100.0

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TABLE 82. LOANS OF 526 FAMILIES: PURPOSE OF LOANS, NUMBER, AND AMOUNT

	Number of Loans			Amount		
	1929	1930	1931	1929	1930	1931
Old debts	124	225	328	$ 8,271	$20,089	$27,026
Farm capital	104	108	184	5,017	7,324	10,721
Business capital	31	18	56	3,055	1,054	4,005
Daily living		68	94	1,618	2,195	2,384
Funerals and weddings		37	53	1,515	2,544	3,256
Gambling and narcotics	4	1	6	380	70	242
Travel	1	2	1	40	65	30
Education	1	3	4	300	580	1,280
Narcotic smuggling	–	4	–	–	480	–
Village expenses	3	–	–	290	–	–
Lawsuits	2	–	–	540	–	–
	335	466	726	$21,026	$34,401	$48,944

TABLE 83. LENDING FAMILIES: LOANS MADE AND AMOUNTS LOANED, 1931

Loans	Families	Amount	Families	Per Cent
1–5	28	Under $50	10	18.9
6–10	12	50–99	8	15.1
11–15	7	100–199	5	9.5
16–25	2	200–299	10	18.9
26–50	3	300–399	6	11.3
500[1]	1	400–499	4	7.5
	—	500–999	4	7.5
	53	1,000 and over	6	11.3
			53	100.0

Approximate totals: loans 913, amount $59,200.

[1] Estimated number.

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511 families, amounting to $7.37; and alcoholic drinks by fifteen families, amounting to $5.57. Under the sundries, expenses of thirty-seven families for celebrating the new year amounted to $46.48, while the expenses of forty-one families for such items as house repair, paper, dye-stuff and children's pocket money, amounted to $47.92.

On the whole, the low expenses in the miscellaneous group of items demonstrated clearly the low standard of living of the working families under investigation.

The income and expenditure of the working families may further be studied from another point of view, namely from that of sufficiency. It will be remembered that Table 2 in Chapter II, showed that after expenditure was deducted from the income, family by family, twenty-seven of the families were found to have a surplus, an average amount of $9.12 per family in six months, while twenty-one for the same period had on the average a deficit of $7.61 per family. Taken all the families together, however, it may be said that more families had a credit balance than a debit one and that the average amount of surplus was more than to counterbalance the average amount of deficit.

OTHER RECEIPTS AND DISBURSEMENTS

434 426 Our analysis of the income and expenditure of the working families in the foregoing paragraphs has adhered strictly to the definitions of them as stated in Chapter III, as items that did not conform with the definitions were excluded from our discussion. It seems that our study of the economic life of the working families would be incomplete if we should leave out their other receipts and disbursements. To these we shall now turn our attention.

Money receipts of the working families other than income proper consist of four kinds: (1) fund or loans from mutual aid or loan societies, (2) personal loans returned, (3) sums derived from pawning articles and (4) money borrowed from others. They will be described in the order of their importance.

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Borrowing money from strangers or relatives with or without payment of interest on the sums borrowed is perhaps most commonly resorted to by working people, when they are in need. 426

Pawning may be considered as a form of borrowing. The loan is made by pledging some article as security against future repayment. There are at present eighty-seven pawnshops in Peking, forming the most easily accessible money-lending agencies to the needy. Such articles, as jewels, silver or gold ornaments, clothing etc. may be offered as securities, but among the poor families, clothing is mostly used. The loan so made from the pawnshop generally represents only one-fourth of the original cost of the pledged article. The period of redemption is fixed at two years, but on expiry it may be renewed for another two years if the interest is paid to date. The rate of interest on the loan is 3 per cent per month, that is, 36 per cent per annum, a fraction of a month exceeding five days being counted as one whole month. It may be presumed that, as a rule, a great number of the pawned articles is foreclosed and the pawnshop affords facilities only to those who could redeem their things in time. The chief clientele of the pawnshop are the poor.

A returned loan constitutes another kind of receipt. It differs from borrowing in the fact that its process is just the reverse of the latter. It also resembles the drawing of funds from a loan society after the subscriptions have all been paid up, but it differs from the latter in the fact that the funds of the loan society might be drawn in advance of the payment of the monthly subscriptions. Considering the straitened circumstances under which the working families usually live, it is only natural that the loans they are in a position to make to others should be very small indeed. In fact, the average sums lent by our forty-eight families were negligible. Consequently the repayment of the loans made by others was also insignificant.

One form of contracting a loan is by way of joining some mutual aid or loan society. The society is formed by a limited number of persons, each of whom is required to pay a fixed sum per month and the money so collected is given each month to one 426

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426 member. The recipient of the money is decided each month by lot or by arrangement. In the latter case, the recipient of the fund would have to pay in the future, besides his usual monthly subscription, a premium, which is but interest in disguise. Such loan societies exist in abundance in this country. They may be organized at any time by any group of persons who know each other well; they function for a specified period of time, generally for ten or twelve months, and then dissolve themselves. No registration with or sanction from government authorities is required for the formation of such a society and even regulations or formal contracts are dispensed with, all arrangements being made verbally. The loan society, it must be admitted, often proves a boon to poor families for raising loans when some urgent need, such as wedding or funeral, forces them to expend a lump sum at one time. But, on the other hand, woe may be the lot of the subscriber, if the society he has joined is organized by an adventurer and turns into a bubble after a lapse of a few months. Furthermore, it should be observed that while the society no doubt affords certain facilities for borrowing money, it is far from pleasant or easy for the poor families to squeeze at a great sacrifice from their meagre income the necessary amount for the subscription to be paid each month.

426 511 434 Corresponding with the four kinds of receipts described above, there is an equal number of disbursements. They are (1) loan society subscription, (2) lending, (3) redemption of pawned articles and (4) repayment of debts.

In Table 12 are presented the average total receipts and the average total disbursements per family. From it one finds that money receipts other than the income proper amounted on the average to $6.97 per family, that is, 6.3 per cent on the average total receipts per family. Of the various forms of receipts, borrowing forms the major portion, being almost two-thirds of the total of receipts other than incomes.

On the other hand, payments other than expenditure proper amounted on the average to but $3.51 per family, which represented 3.2 per cent on the average total disbursements per family.

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Table 12.—Average Amount of Receipts and Disbursements of 48 Families in Six Months, by Income Groups

Income group	Number of families	Average receipts per family from—						Total av. receipts = Total av. disbursements + av. cash in hand	Average disbursements per family						Av. cash in hand
		Loans etc.:				Total of loans etc.	Income		Expenditure	Total of payments etc.	Payments etc				
		Loan society fund	Loan returned	Pawning articles	Borrowing						Payment of money borrowed	Redemption of pawned articles	Lending	Loan society subscription	
Under $70	3	—	—	$1.76	$5.44	$7.19	$64.65	$71.84	$71.28	—	—	—	—	—	$0.56
$70 and under $110	28	$0.14	$0.18	1.89	4.98	7.19	90.29	97.48	90.12	$3.03	$2.65	$0.25	$0.04	$0.09	4.33
$110 and under $150	14	—	.76	2.77	3.61	7.14	124.58	131.72	119.52	4.67	3.29	1.37	—	.01	7.53
$150 and under $190	3	—	—	.76	3.17	3.92	163.40	167.32	153.13	6.12	2.82	.16	—	3.14	8.07
All incomes	48	.08	.33	2.07	4.49	6.97	103.26	110.23	101.45	3.51	2.68	.56	(1)	.25	5.27
		PER CENT													
Under $70	6.5	—	—	2.4	7.6	10.0	90.0	100.0	99.2	—	—	—	—	—	0.8
$ 70 and under $110	58.3	.1	.2	1.9	5.1	7.4	92.6	100.0	92.4	3.1	2.7	.3	(2)	.1	4.4
$110 and under $150	29.2	—	.6	2.1	2.7	5.4	94.6	100.0	90.7	3.5	2.5	1.0	—	(2)	5.7
$150 and under $190	6.3	—	—	.5	1.9	2.3	97.7	100.0	91.5	3.7	1.7	.1	—	1.9	4.7
All incomes	100.0	.1	.3	1.9	4.1	6.3	93.7	100.0	92.0	3.2	2.4	.5	(2)	.2	4.8

[1] Less than $0.005

[2] Less than $0.05 per cent.

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426 It is interesting to note that payments were lower than loans,
511 though for the highest income group, the amount paid for the
434 loan society subscription was appreciably high.

From a study of the receipts and disbursements of the families under investigation, it may be maintained that, on the whole, their financial conditions were quite sound. The total receipts of all the families were on the average more than sufficient to balance their disbursements. With the exception of the three families in the lowest income group, the family income was all on the average larger than the expenditure, while receipts other than income also exceeded the total for repayments, lending, redemption of pawned articles and loan society subscription. As a result, a good amount of cash in hand was netted to them.[1] But it should be added that even then, their general conditions of living can by no means be regarded as satisfactory. On the one hand, their living standard was on the whole low, while, on the other, they merely led an existence from hand to mouth, for, like all families that depend upon their slender earnings for a living, they had neither savings nor investments to fall back upon in case of emergency. So long as their earnings are received regularly, the existing standard of living can be maintained. Once their earnings are cut off, they are reduced to beggary.

The prospect of the families of the lowest income group was of course much worse. Exactly 10 per cent of their receipts was derived from borrowing and pawning their possessions. Obviously this is an impossible position; no family can depend perpetually on loans for a part of its living expenses, if it lacks any prospect of repaying them. In time, sources of borrowing must be closed to them while the scanty wardrobe of the family will cease to supply articles for pawning purposes. Ultimately, such a family will have either to seek charitable aid as its main support or to adopt other means, noble or ignoble, wise or otherwise, to maintain its existence.

511 Two points in Table 12 are worthy of attention. First, it
434 will be seen that the higher is the family in the income group,

[1] See the last column of Table 12.

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tainments and (2) occasional expenses for utensils, education, religion, wedding and funeral. They formed 9.2 per cent of the total expenses. Various items of the miscellaneous expenses, as shown in Table 23 varied from $0.06 to $3.23 per person per year. Of all the miscellaneous expenses, those for tea and tobacco headed the list. It appears that more men indulged in drinking tea than in smoking tobacco, but it is noteworthy that tobacco is much more expensive than tea. Twenty seven workers had no expenses for recreation, but it is quite possible that such expenses were included in new year expenses. The new year expenses are those spent for food and amusement during the new year holidays. This expense is so characteristic of Chinese that it deserves to be classified separately.

Educational expenses were meant for buying books and stationery. Text books in use at the Workmen's School were not included, as they have been supplied free. Only four workers had book expenses, while 41 workers paid expenses for utensils. Expenses for religion included contributions for the celebration of the "Society of Abstainers" (Tsai-li-hui). Only two out of 86 workers had such expenses. Weddings and funerals are not common, as only two workers incurred such expenses.

It will be seen that the expense for tea and tobacco is the most important item, being 28.2% of the miscellaneous expenses or 2.6% of the total expenses. New year expenses come next, being one-fourth of the miscellaneous expenses. Expense for amusement comes third, being 18.6% of the miscellaneous expenses.

So far the income and expenditure of the 86 resident workers have been dealt with separately without examining into the question whether their income was sufficient to cover their expenses. It is pertinent for us to look into this question and study the assets and liabilities of the 86 workers during the year under investigation. It seems that, in doing so, we have to look not only into their surpluses and deficits but also their remittances to home and borrowings. These items are now presented in Table 24. First, it is shown that 73 had surplus, with an average

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Table 24.—Average Amounts of Surplus, Deficit, Family Remittance and Borrowing of 86 Resident Workers in One Year, by Income Groups.

Income group	Number of workers	Average Annual income	Average Annual expenditure	Surplus		Deficit		Average Surplus (+) or Deficit (−) for group	Number of Remitters	Average amount of family remittance of		Number of Borrowers	Average amount of Borrowing of	
				Workers having	Average amount	Workers having	Average amount			remitters	group		borrowers	group
$115 and under $140...	23	$ 131.31	$ 120.75	15	$ 21.22	8	$ 9.45	+ $10.56	16	$ 27.69	$ 19.26	2	$ 22.50	$ 1.96
$140 and under $165...	35	149.46	121.87	30	33.99	5	10.77	+ 27.60	33	42.24	39.83	8	15.25	3.49
$165 and under $190...	21	175.85	132.50	21	43.36	—	—	+ 43.36	20	50.45	48.05	6	16.50	4.71
$190 and under $215...	3	194.56	108.71	3	85.86	—	—	+ 85.86	3	68.33	68.33	1	30.00	10.00
$215 and under $240...	3	219.33	145.18	3	74.15	—	—	+ 74.15	2	70.00	46.67	—	—	—
$240 and under $265...	1	258.15	112.96	1	145.19	—	—	+ 145.19	1	144.00	144.00	—	—	—
All incomes	86	156.33	124.41	73	39.37	13	9.95	+ 31.91	75	44.39	38.71	17	3.44	17.41

8: Lin E-5 (1927)1928 AF12 North China AF12

of about $40 ($39.37) each and 13 incurred deficits, with an average deficit of $10 each ($9.95). The latter all fell in the first two income groups, the earners of from $110 to $165 a year. Those who had any surplus usually deposited all or a part of it in the savings department of the factory. It was found that of the 73 workers who had surpluses, 59 followed this practice. The average amount of savings per person was $12.36 a year, but the great majority of the workers had only small amounts to deposit. Thus 41 persons had saved less than $10 each in the year. It should be borne in mind that, in most cases, the deposits thus accumnlated were meant to be remitted home.

The reasons for the deficit of the thirteen workers are two. First, absence from work for returning home often results in deficits, especially to those with low earnings. For during their leave of absence, the workers suffer a double loss, no income from wages during the leave and the charge of travelling expenses which should be paid out of their pockets. Secondly, wedding and funeral services are a heavy burden to the workers. Extra expenses are needed on these occasions, which must be met by loans, in the case of workers with low incomes. In either case, a deficit would be incurred in the year.

It should be observed that after their own living expenses family remittance becomes the most important charge to the resident workers. Whatever they can save, they send home to support their people; at times they had to borrow if the savings are insufficient. It is shown in Table 24 that 75 out of the 86 workers had all remitted money home. The average amount of remittance of each was $44.39 per year, but it appears that such remittances tended to increase in the higher income groups.

To meet the deficit, occasioned by the increased expenditure for family remittances or travelling expenses, means open to the workers are either borrowing from friends or loan societies or pawning articles. Loans raised from friends are most common, while pawning of articles is very seldom resorted to. The amount of borrowing is usually low. It was found that 17 out of the 86 workers raised loans whose average amount was $17,41 each.

8: Lin E-5 (1927)1928 AF12 North China AF12

many members. But it seems there is a general tendency that where income increases, the size of the family usually increases also and that its living conditions are somewhat lowered in spite of the increase of income.

Table 39.—Number of Family Supporters and Dependents in 61 Families.

	Total		Average per family	
	Number of persons	Number of equivalent adult males	Number of persons	Number of equivalent adults
Family supporters	63	63.00	1.03	1.03
Partial dependents	35	28.20	0.57	0.46
Complete dependents	129	75.94	2.12	1.25
Total	227	167.14	3.72	2.74

Having considered the income and expenditure of the 61 families, we shall now study the question of their surplus and deficit. In general, it may be stated that many of these families were able to make both ends meet in ordinary times, but they would incur deficit under special circumstances when marriage or death occurs in the family. It is shown in Table 40 that during the year under investigation, 41 families had each an average surplus amount of $18.83 and 20 families had each an average deficit amounting to $51.51.

It will have been seen in Table 40 that many families in the third, fourth and sixth groups incurred big deficits on account of the heavy expenses paid for marriage or funeral. In order to meet these deficits, the families had to resort to the following methods: (1) to make purchases on credit (2) borrowing, (3) pawning articles, (4) borrowing money from the loan society, (5) to use savings and (6) to sell property.

Among these, to make purchases on credit is the most common. Such debts are generally paid as soon as wages are received at the end of the month. In case there is no surplus left to pay back the sum, payment is deferred until the end of the year when the worker receives general bonus and the extra month's pay.

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Table 40.—Average Amount of Surplus, Deficit, Borrowing and Pawning of 61 Families, by Income Groups

Income group	Number of families	Average annual income	Average annual expenditure	Surplus		Deficit		Average surplus (+) or deficit (—) for group	Number of borrowers	Average amount of borrowing of—		Number of pawners	Value of articles pawned of—	
				Number of families	Average amount	Number of families	Average amount			Borrowers	Group		Pawners	Group
$130 and under $180	22	$163.72	$160.96	16	$12.42	6	$22.91	+$ 2.79	12	$21.08	$11.50	2	$3.00	$0.27
$180 and under $230	21	203.21	191.49	15	23.73	6	18.35	+ 11.71	8	25.12	8.81	—	—	—
$230 and under $280	10	453.17	286.01	6	25.24	4	119.96	+ 32.81	5	34.00	17.00	—	—	—
$280 and under $330	4	299.86	344.29	2	21.89	2	96.36	+ 37.24	2	113.50	56.75	1	40.00	10.00
$330 and under $380	2	360.72	358.33	1	4.91	1	0.13	+ 2.40	1	70.00	35.00	—	—	—
$380 and under $430	1	403.40	513.54	—	—	1	110.14	+ 110.14	1	30.00	30.00	—	—	—
$430 and under $480	1	430.00	412.66	1	17.37	—	—	+ 17.34	—	—	—	—	—	—
All incomes	61	215.66	220.37	41	18.83	20	51.51	+ 4.23	29	32.24	15.32	3	15.33	0.75

8: Lin E-5 (1927)1928 AF12 North China AF12

month's pay. Borrowing was resorted to by 29 families of which, 24 paid and 5 did not pay interest for the loans. The rate of interest was from 15 per cent to 20 per cent.

Pawning of articles is not commonly practiced by these workers as only three families were reported to have sent their clothes to pawnshops. Borrowing from loan societies was made by five families. The amount of savings was generally small and could scarcely help the family tide over hard times. The sale of property was not commonly practised, because first, there was not much property in the possession of these families. and second, the property, if ever there was, as a rule, was owned jointly by brothers or other family members, which could not be disposed of without the consent of all.

Twenty-nine families are found to deposit their surplus with the savings department of the factory. The average amount of deposit for the year was $17.06 per family. It is further found that the saving of 21 families were below $20, and none exceeded $90.

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Table 53. Average Amount of Surplus, Deficit, Family Remittance and Borrowing in One year of 50 Pacific Resident Workers, by Classes

Class of workers	Number of workers	Average annual income	Average annual expenditures	Surplus		Deficit		Average surplus (+) or deficit (—) for class	Number of remitters	Averge amount of family remittance of		Number of borrowers	Average amount of borrowing of	
				Number of workers	Average amount	Number of workers	Average amount			Remitters	Class		Borrowers	Class
Mechanics	10	$287.81	$130.51	10	$157.30	—	—	+$157.30	9	$109.44	$98.50	1	$10.00	$1.00
Firemen	4	188.11	137.03	4	51.08	—	—	+ 51.05	4	59.25	59.25	1	10.00	2.50
Assistants	7	143.26	121.29	6	26.53	1	5.43	+ 21.96	4	16.25	9.29	1	20.00	2.86
Common workers.....	29	126.21	107.16	26	23.90	3	22.98	+ 19.05	23	30.13	23.90	5	8.00	1.38
All classes	50	165.87	116.20	46	55.60	4	18.59	+ 49.67	40	49.50	39.60	8	10.00	1.60

8: Lin E-5 (1927)1928 AF12 North China AF12

It was found that these three common workers spent more than $30 on clothing, while the average amount for the 50 workers was about $20. Moreover, their expenses for tea and tobacco were also much higher than the average amount. It seemed that of the four classes of workers, the mechanics were quite well off and each had $157.30 surplus. Next came the firemen, each having a surplus of $51.05. Even among the assistants and common workers, they had, on the average, some surplus, the former having about $22 and the latter $19 in a year. If we compare this group of workers with that of Chiu Ta with respect to its financial condition we shall find that the Pacific workers are much better off.

Family remittance is the most important item which consumes their surplus. Mechanics who had, on the average,, each a surplus more than $150 remitted to their homes about $110 each. The assistants remitted comparatively small sums of money to their homes. It is to be noted that the amount remitted by firemen and common workers exceeded their surplus. In such cases, the workers often resorted to borrowing. Of the 50 workers, only 8 borrowed money, the average amount being $10. Such kind of borrowing often comes from relatives or friends and no interest is charged.

Apart from the family remittance, three ways of disposing the surplus are open to the workers: investing it in a co-operative loan society, lending it to others or buying property. There are also three ways to make up the deficit, besides borrowing: namely, borrowing from the co-operative loan society, pawning and selling articles. Workers that resorted to pawning and selling articles to meet their deficits were so few among the Pacific workers that they do not merit our attention. However, 10 of the workers under investigation joined the co-operative loan societies.